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VIEWPOINT

Enterprise Zones Are Alive And Well

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Secretary of the Department of
Housing and Urban Development

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Area Development

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Enterprise zones are alive and well! That is the clear message from state capitals around the country. The success of state enterprise zones is now well documented. Every day something new and exciting happens—from designating new zones, to opening up a small business incubator, to opening an important plant or business. State enterprise zones have been successful in helping with job creation and business retention; they have been used in a limitless variety of combinations with other economic development programs, including job training, venture capital, and transportation linkages.

State enterprise zones have become a laboratory for innovation. In many states, the enterprise zone program has become intertwined with the small business assistance network and with other state programs designed to revitalize economically distressed areas. Many states are using their enterprise zone programs to help coordinate the delivery of services. The legislatures and governors of enterprise zone states are to be congratulated for forging ahead with their programs in the true spirit of New Federalism.

It is clear that the Reagan Administration deserves a great deal of credit for planting the seeds that have now flowered in the state enterprise zone programs. In many of the state-designated zones, the designation itself has been the catalyst that has helped focus attention and resources on the zones—and to attract federal assistance to them.

Several federal agencies have already recognized the importance of state enterprise zones. For example, in its 1987 funding notice, the Economic Development Administration



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has provided a funding priority for projects relating to state enterprise zones. The Farmer's Home Administration is carrying on an outreach program to ensure that state enterprise zones are recognized as a resource in its rural development activities. In the Department of Housing and Urban Development (HUD), many state enterprise zones have been supported with Community Development Block Grants and other HUD funds.

As I have said in other forums, the experience of the state zones suggests that, while specific incentives are important to individual business deci-

sions, it is the combination of supporting programs and activities focused on the enterprise zone that really makes the difference. Enterprise zones are not panaceas. However, the states have learned from their experiences and are fine-tuning their programs to increase their potential for successful problem solving.

With this success, then, the question inevitably arises: When is the federal government going to act? In my opinion, prospects for federal enterprise zone legislation are brighter now than ever. Both President Reagan and I are strongly committed to seeking passage of legislation in this session of Congress. In fact, fair housing and enterprise zones are my highest legislative priorities.

As we consider federal legislation this year, there are some obvious issues to be addressed. The first is the impact of tax reform; the second is the experience of the state zones. We are actively reviewing legislative proposals to ensure that they will be consistent with tax reform, and will reflect the reality of the state enterprise zone experience. We welcome suggestions along these lines from enterprise zone practitioners or others.

The Reagan Administration is still committed to helping economically distressed areas, especially in those pockets of the country that have not been buoyed by the rising economic tide. State enterprise zone programs have already accomplished much. With federal recognition and participation, the state zones can be even more powerful.

We will work with Congress in the months ahead to fashion an enterprise zone program that will build on the success of the state zones and move forward from there. □